



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

JUDI E. THOMAS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN

July 10, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **DANGERFIELD INSTITUTE OF URBAN PROBLEMS – A FOSTER
FAMILY AGENCY AND GROUP HOME FOSTER CARE CONTRACT
PROVIDER – FISCAL REVIEW**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of Dangerfield Institute of Urban Problems (Dangerfield or Agency) from January 1 through December 31, 2010. DCFS contracts with Dangerfield for Foster Family Agency (FFA) services to recruit, certify, train, and support foster family homes. Dangerfield is also licensed to operate three group homes (GH), each with a resident capacity of six children. Dangerfield's FFA office and GHs are located in the Second Supervisorial District.

At the time of our review, Dangerfield's FFA Program had 81 children placed by Los Angeles County in 19 certified foster homes. DCFS paid Dangerfield between \$1,430 and \$1,679 per child per month, for a total of \$622,284. Dangerfield paid \$249,271 (40%) directly to foster parents, which meets the State's minimum requirement.

In addition, DCFS and the Probation Department contract with Dangerfield to care for foster children placed in the Agency's group homes. DCFS paid Dangerfield \$7,388 per child per month, based on a rate determined by the California Department of Social Services, for a total of \$1,570,274 in GH foster care funds during 2010.

The issuance of our report to your Board was delayed in part by changes in federal and State regulations regarding possible repayment of questioned costs from fiscal audits. To enable Dangerfield to begin taking corrective action as soon as possible, we discussed the findings and recommendations from our review with Agency management on September 29, 2011.

Summary of Findings

We identified \$13,680 in unallowable expenditures, and \$59,434 in unsupported/inadequately supported expenditures. Dangerfield also needs to strengthen its controls over accounting, disbursements, payroll/personnel records, independent contractors, bank reconciliations, and submit Semi-Annual Expenditure Reports as required by the FFA and GH contracts. Details of our findings are discussed in Attachment I.

We have recommended that DCFS resolve the questioned costs, and collect any disallowed amounts. DCFS should also ensure that Dangerfield management takes action to address the recommendations in this report, and monitor to ensure that the actions result in permanent changes.

Review of Report

Dangerfield's management declined a formal exit conference, but have agreed to repay the \$73,114 (\$13,680 + \$59,434) in questioned costs. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan (Attachment II), indicates general agreement with our findings and recommendations.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including but not necessarily limited to Welfare and Institutions Code sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law. This audit is intended solely to assist DCFS in managing its contractual relationships. Consequently, this report will be forwarded to DCFS, in order that it might take further action, as it deems appropriate, based on its contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

We thank Dangerfield's management and staff for their cooperation during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MWM

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, DCFS
Jerry E. Powers, Chief Probation Officer
Reaver E. Bingham, Deputy Chief, Probation Department
Eloise Dangerfield, Executive Director, Dangerfield Institute of Urban Problems
Board of Directors, Dangerfield Institute of Urban Problems
Cora Dixon, Bureau Chief, Foster Care Audit Branch, CA Dept. of Social Services
Commission for Children and Families
Public Information Office
Audit Committee

Dangerfield Institute of Urban Problems
Foster Family Agency and Group Home Contract Provider
Fiscal Review

REVIEW OF EXPENDITURES

We identified \$13,680 in unallowable expenditures, and \$59,434 in unsupported/inadequately supported expenditures. Details of these expenditures are discussed below.

Applicable Regulations and Guidelines

Dangerfield Institute of Urban Problems (Dangerfield or Agency) is required to operate its Foster Family Agency (FFA) and group homes (GH) in accordance with the following federal, State, and County regulations and guidelines:

- FFA and GH Contracts, including the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook)
- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations (Circular A-122)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

Unallowable Expenditures

We identified \$13,680 in unallowable expenditures:

- \$12,190 in credit card and vendor late fees and interest.
- \$1,456 in parking fines and traffic citations.
- \$34 in non-sufficient fund charges.

Circular A-122 Sections 16 and 23 indicate that penalties and interest are unallowable expenditures.

Unsupported/Inadequately Supported Expenditures

A-C Handbook Section A.3.2 states that all expenditures must be supported by original vouchers, invoices, receipts, or other supporting documents, and that unsupported expenditures will be disallowed upon audit.

We identified \$59,434 in expenditures that were either unsupported or inadequately supported.

- \$50,758 in inadequately supported credit card payments. The Agency provided credit card statements and cancelled checks, but no itemized receipts/invoices, or the receipts/invoices did not substantiate that the expenditures were FFA/GH-related.
- \$6,255 in inadequately supported expenditures for insurance, real estate fees, auto expenses, licenses and taxes, clothing, consulting, and utility charges. The Agency provided cancelled checks, but no itemized receipts or invoices to support that the expenditures were FFA/GH-related.
- \$2,421 in unsupported payments to the Executive Director, and checks payable to "cash". The Agency did not provide receipts or invoices for these expenditures.

Recommendations

1. **DCFS management resolve the \$73,114 (\$13,680 + \$59,434) in questioned costs and collect any disallowed amounts.**

Dangerfield management:

2. **Ensure that foster care funds are used only for allowable expenditures.**
3. **Maintain adequate supporting documentation for all Agency expenditures, including original itemized receipts and invoices.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted several contract compliance issues and internal control weaknesses. DCFS should ensure that Dangerfield management takes action to address each of the recommendations in this report. DCFS should also monitor to ensure the actions result in permanent changes.

Accounting and Disbursement Procedures

We noted the following issues with the Agency's accounting and disbursement procedures:

- A-C Handbook Section B.2.1 states that checks shall not be payable to "cash". We identified seven checks, totaling \$4,321, that were payable to "cash".
- A-C Handbook Section B.2.3 states that a petty cash fund may be kept for payment of small incidental expenses (e.g., postage, small purchases of office supplies, etc.). Petty cash should not be used as a substitute for normal purchasing and

disbursement practices. We noted Dangerfield sometimes used petty cash as a substitute for normal purchases and disbursements (i.e., food and groceries).

- The Agency issued 90 checks, totaling \$123,796, where the check signer was also the payee. Most of these checks were payroll payments to the Executive Director and Assistant Director. Thirteen (14%) of the checks, totaling \$13,798, were reimbursements to employees for routine purchases. Proper disbursement procedures require a second signature from someone independent of the transaction, and at a higher level, to verify the appropriateness of the expense.
- A-C Handbook Section A.2.5 requires the Agency to consistently post similar transactions to the same account. We noted that all of the Agency's credit card payments were recorded on the general ledger as "Other Supplies". After reviewing the credit card statements and receipts, we noted that most of the charges should have been posted to food or clothing accounts.

Recommendations

Dangerfield management:

4. **Ensure checks are not payable to "cash".**
5. **Ensure that petty cash is not used as a substitute for normal purchasing and disbursement practices.**
6. **Require a second signature on all checks where the payee and check signer is the same employee.**
7. **Pay all routine, non-incidental expenses by check made payable to the vendor, or by debit/credit card, and discontinue the practice of reimbursing employees for expenses incurred on behalf of the Agency.**
8. **Properly record credit card expenditures on the general ledger.**

Payroll/Personnel Controls

CDSS-MPP Section 11-402 requires that supporting documentation be maintained for all Program expenditures, including employee salary rates. In addition, A-C Handbook Section B.3.1 states that time cards or time reports must be prepared for each pay period, and must be signed by the employee and supervisor to certify the accuracy of the reported time.

We reviewed the payroll and personnel records of 12 employees and noted the following:

- None of the employee personnel files contained the employee's current salary rate.
- One timecard was not signed by the supervisor.

Recommendations

Dangerfield management:

9. **Ensure personnel files contain current salary rates approved by management.**
10. **Ensure time cards are signed by a supervisor to certify the accuracy of the reported time.**

Independent Contractors

A-C Handbook Section A.2.6 requires the Agency to ensure compliance with all applicable federal and State requirements for reporting and filing 1099 Forms. We reviewed payments to ten independent contractors, and noted that the Agency did not issue a 1099 Form to four (40%) contractors.

Recommendation

11. **Dangerfield management ensure payments to independent contractors are reported to the federal and State taxing agencies.**

Bank Reconciliations

A-C Handbook Section B.1.4 requires monthly bank reconciliations be prepared within 30 days of the bank statement date, and be reviewed by management for appropriateness and accuracy. Both the preparer and the reviewer should sign and date the bank reconciliations.

We reviewed the Agency's bank reconciliations and noted that, although there was a printout date reflected on the reconciliation forms to show that they were generated within 30 days of the bank statement date, none of the bank reconciliations were signed and dated by the preparer, or the reviewer to establish who performed the reconciliation, and when it was completed.

Recommendation

12. **Dangerfield management ensure bank reconciliations are signed and dated by the preparer and reviewer.**

Semi-Annual Expenditure Reports

FFA Contract Section 17.2, and GH Contract Section 16.2 requires agencies to submit Semi-Annual Expenditure Reports (SAER) to DCFS within 60 days after the end of each semi-annual reporting period.

For the period we reviewed, we noted that Dangerfield did not submit SAERs by the required deadlines. In addition, we noted some variances between the SAERs and the Agency's audited financial statements for the period ended December 31, 2010. The Agency acknowledged that the bookkeeper misclassified some expenses on the general ledger, which were corrected after the Agency submitted its SAERs. Dangerfield management indicated they will prepare revised SAERs that agree with the audited financial statements, and submit them to DCFS.

Recommendations**Dangerfield management:**

- 13. Revise the FFA and GH Semi-Annual Expenditure Reports for the period ended December 31, 2010 and submit the reports to DCFS.**
- 14. Submit the FFA and GH Semi-Annual Expenditure Reports to DCFS in a timely manner.**



PHILIP L. BROWNING
Director

**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

March 21, 2012

Eloise Dangerfield, Executive Director
Dangerfield Institute of Urban Problems
4736 11th Avenue
Los Angeles, CA 90043

Dear Ms. Dangerfield:

AUDITOR-CONTROLLER'S FISCAL REVIEW OF DANGERFIELD INSTITUTE OF URBAN PROBLEMS – A FOSTER FAMILY AGENCY AND GROUP HOME FOSTER CARE CONTRACT PROVIDER

We have reviewed your fiscal corrective action plan (FCAP) received on March 19, 2012 in response to the Auditor-Controller's final draft fiscal audit. Additionally, Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

With regard to the \$73,144 in questioned costs, Dangerfield Institute of Urban Problems and DCFS agreed that the total of \$73,144 was disallowed and must be repaid to the Department.

Please contact the Los Angeles County Treasurer and Tax Collector (TTC), by March 26, 2012 to schedule a date and time to sign a repayment agreement for the amount of \$73,144. The terms of the repayment agreement would be determined and negotiated with TTC. Please contact:

Fernando Rubio Jr., Operations Chief
Los Angeles County Treasurer and Tax Collector Revenue and Enforcement
225 N. Hill Street Room 122
Los Angeles, CA 90012
(213) 893-7968
frubio@ttc.lacounty.gov

Sincerely,

A handwritten signature in cursive script, appearing to read "Latisha Thompson".

Latisha Thompson, ASM III

Fiscal Monitoring and Special Payments

Attachments

c: Mike McWatters, Chief Accountant-Auditor (via electronic mail only)
Sandra Gomez, Principal Accountant-Auditor (via electronic mail only)

"To Enrich Lives Through Effective and Caring Service"

ATTACHMENT III

DANGERFIELD INSTITUTE OF URBAN PROBLEMS – A FOSTER FAMILY AGENCY AND GROUP HOME FOSTER CARE CONTRACT PROVIDER– FISCAL REVIEW

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the FCAP dated March 19, 2012, submitted by Dangerfield Institute of Urban Problems, status of each recommendation is summarized as follows:

- 14 Recommendations (1-14) were fully addressed.
- Recommendations () were partially addressed.
- 1 Recommendation (1) directed to the Department was addressed.

Recommendation Status

1. **DCFS management resolves the \$73,114 (\$13,680 + \$59,434) in questioned costs and collect any disallowed amounts.**

Agency Proposed FCAP: Dangerfield will be make payments arrangement with the Los Angeles County Treasurer and Tax Collector to repay the \$73,144 in unsupported and disallowable expenditures. Dangerfield will be requesting a 36 months repayment plan for a monthly payment of \$2,031.78 per month. The amount of the payment will be deducted from the executive directors' salary.

DCFS Response: Please contact the Los Angeles County Treasurer and Tax Collector (TTC), by March 26, 2012 to schedule a date and time to sign a repayment agreement for the amount of \$73,114. The terms of the repayment agreement would be determined and negotiated with the TTC. Please contact:

Fernando Rubio Jr., Operations Chief
Los Angeles County Treasurer and Tax Collector Revenue and Enforcement
225 N. Hill Street Room 122
Los Angeles, CA 90012
(213) 893-7968
frubio@ttc.lacounty.gov

2. **Dangerfield management ensure that foster care funds are used only for allowable expenditures to carry out the purpose and activities of the Agency's FFA and GH programs.**
-

Agency Proposed FCAP: Dangerfield will establish policies by reviewing all receipts and invoices to ensure that foster care funds will be used only for allowable expenditures for the agency program prior to making any payments.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

3. **Dangerfield management maintain adequate supporting documentation for all Agency expenditures, including original itemized receipts and invoices.**

Agency Proposed FCAP: Dangerfield management will maintain adequate supporting documentation for all agency expenditures with original itemized invoices and receipts.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

4. **Dangerfield management ensures checks are not payable to "Cash".**

Agency Proposed FCAP: Dangerfield management will ensure that no checks will be made payable to Cash.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

5. **Dangerfield management ensures that petty cash is not used as a substitute for normal purchasing and disbursement practices.**

Agency Proposed FCAP: Dangerfield management will ensure that petty cash funds will be used only for minimal and incidental expenses and that these expenses are related to the programs (FFA and Group Home).

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

6. **Dangerfield management requires a second signature on all checks where the payee and check signer is the same employee.**

Agency Proposed FCAP: Dangerfield will add a secondary signature on all checks to reinforce their internal control where the payee and the signer is not the same employee.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

7. **Dangerfield management pay all routine, non-incidental expenses by check made payable to the vendor, or by debit/credit card, and discontinue the practice of reimbursing employees for expenses incurred on behalf of the Agency.**

Agency Proposed FCAP: Dangerfield management will discontinue to reimburse employees for expenses incurred on behalf of the Agency. All routine, non-incidental expenses will be paid by the Agency checking account, or debit/credit card and payable directly to the vendor.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

8. **Dangerfield management properly record credit card expenditures on the general ledger.**

Agency Proposed FCAP: Dangerfield management will ensure that all credit card expenditures will be recorded accurately on the general ledger.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

9. **Dangerfield management ensure personnel files contain current salary rates approved by management.**

Agency Proposed FCAP: Dangerfield will establish a procedure/form that will document any salary rate increase/decrease for all employees. This procedure/form will be available on all employees' personnel file. In addition the new procedure/ form will be signed and dated by the employee with the approval of the supervisor.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

10. **Dangerfield management ensure timecards are signed by a supervisor to certify the accuracy of the reported time.**

Agency Proposed FCAP: Dangerfield will ensure that all employees' timecards/sheet will be reviewed, signed and dated by the employee's supervisor to certify the accuracy of the reported time.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

11. **Dangerfield management ensure payments to independent contractors are properly reported to the federal and State taxing agencies.**

Agency Proposed FCAP: Dangerfield management will ensure that payments made to independent contractors will be properly reported to the federal and State taxing agencies to comply with all tax law regulations.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

12. **Dangerfield management ensure bank reconciliations are signed and dated by the preparer and reviewer.**

Agency Proposed FCAP: Dangerfield will ensure that all bank reconciliations will be reviewed, signed and dated by the reviewer on a monthly basis.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

13. **Dangerfield management revise the FFA and GH Semi-Annual Expenditure Reports for the period ended December 31, 2010 and submit the reports to DCFS.**

Agency Proposed FCAP: Dangerfield is in the process revising Semi-Annual Expenditure Report for the period ended 12/31/10 for the GH and the FFA and it will be completed and sent to DCFS by April 1, 2012.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

14. **Dangerfield management submit the FFA and GH Semi-Annual Expenditure Reports to DCFS in a timely manner.**

Agency Proposed FCAP: Dangerfield will ensure that the Semi-Annual Expenditure report for the FFA and GH will be submitted within 60 days after the end of each semi-annual (March 1, Sept. 1) reporting period as required by the FFA and GH DCFS contract.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.